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Nov 8th, 12:00 AM

# Impeding Counterfeiting of Luxury Products in India

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Shah, Anushree and Zhao, Li, "Impeding Counterfeiting of Luxury Products in India" (2016). *International Textile and Apparel Association (ITAA) Annual Conference Proceedings*. 124.

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## **Impeding Counterfeiting of Luxury Products in India**

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Keywords: Counterfeiting, Strategies, Luxury products, India

The trade in counterfeiting products is becoming a significant threat to many luxury companies worldwide. Some of the effects of counterfeiting on the luxury companies are the loss of sales revenue, the brand image damage, and reputation tarnished (Berman, 2008). In 2014, American border officials seized 23,140 goods, the value of the goods had they been genuine would be worth of an estimated manufacturer's suggested retail price of \$1.2 billion (CBP, 2015). India, one of the major luxury goods market in the world, is even worse. According to the consulting firm KPMG, the counterfeit market in India is increasing 44% a year and is estimated to be USD 15 billion in 2014 (Warc, 2015). In particular, due to the rapid development of e-commerce, the counterfeit market of luxury products is growing twice as fast as the luxury market in India (Rathore, 2013).

A lot of research explores the various issues that cause counterfeiting. Despite the amount of research, luxury brand owners have not been able to find an appropriate solution for this problem, especially in the Indian luxury market. There are many researchers that are investigating several issues that trigger counterfeiting and they are trying to analyze various strategies to curb counterfeiting. On the basis of these literatures, the research can be broadly classified into two themes: the Demand side and the Supply side (Staake et al, 2009). The demand side includes various ways to make consumers aware of counterfeited products. Luxury companies should engage various consumer education programs, as well as advertising campaigns, to teach consumers how to distinguish counterfeit products versus original products (Berman, 2008). Along with this, luxury companies should discourage consumers from buying counterfeit products purposely and inform them that it is a very unethical behavior. The supply side includes controlling the luxury company's supply chain and distribution channels, monitoring websites of counterfeiters, reducing gray market activities, incorporating different technologies to track and trace the products, and the Legal framework that includes various government laws and trade-mark protections (Berman, 2008). Due to the unique characteristics of the Indian luxury market, both themes were discussed to discover relevant causes why counterfeiting is a big issue in India.

A descriptive case study design was employed in this study. This methodology is appropriate for exploring new phenomena, developing new knowledge, and providing creative insights for the analysis (Yin, 1993). Multiple cases were used to investigate and understand the rationale to why these luxury companies are not able to fight against counterfeiting, especially in India. The research focuses on personal goods luxury companies such as Louis Vuitton, Burberry, Christian Louboutin, and Gucci etc. Data were collected from multiple resources, journals, published articles, newspaper articles, and government papers. This methodology aided in the investigation of various counterfeiting issues and sought to find an appropriate solution for it.

Upon examining the various cases studied, this article summarized common reasons that trigger counterfeiting activities in India. Four major reasons emerged to explain why global luxury companies are having a hard time fighting against counterfeiting in India. First, the Indian government Foreign

Direct Investment (FDI) regulations have led to the rise of counterfeiting in India. Luxury brands for years had to rely on local Indian partners for setting up shop. For example, the luxury brand Burberry has their web presence in India, however the consumers cannot purchase from their website directly. The second reason is the presence of parallel imports in India (Rathore, 2015). Parallel imports make it easy for counterfeiters to infiltrate the distribution channel. The third reason is that the legal framework in India is very poor. There is no specific legislation governing online sales and IP laws (Narula & Kumar, 2015). A majority of counterfeiting problems in India is because of E-commerce websites. For example, there was a legal case between Christian Louboutin and an e-commerce website 'Darveys' owner Nakul Bajaj, in which the e-retailer was selling Louboutin products without its permission and thus it may harm company's reputation. There are many e-retailers selling high-end luxury products on their websites at much lower rates than the stores. The last reason is the buying behaviors of the consumers.

This research offers implications and contributions to global luxury companies as well as their partners in India. This research provides in-depth knowledge about present issues in India that led to the increase in counterfeiting of luxury products. The luxury companies can seek help from the government and could discuss these issues, with which the government could change some regulations that will curb counterfeiting. In addition, based on these issues, luxury companies could design an appropriate strategy. Taking in to consideration the above themes, the best strategy for luxury companies to avoid counterfeiting in India is by controlling their supply chain. Moreover, the luxury brands can also use latest track and trace technologies to monitor their supply chain. If they succeed in controlling their supply chain, it will be difficult for counterfeiters especially e-retailers to sell their counterfeit goods. Future research could be done for investigating and finding solutions for each problems such as supply chain or distribution channels accurately by interviewing luxury company managers in India and get a better idea about the issues and hence could validate and generalize this research.

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